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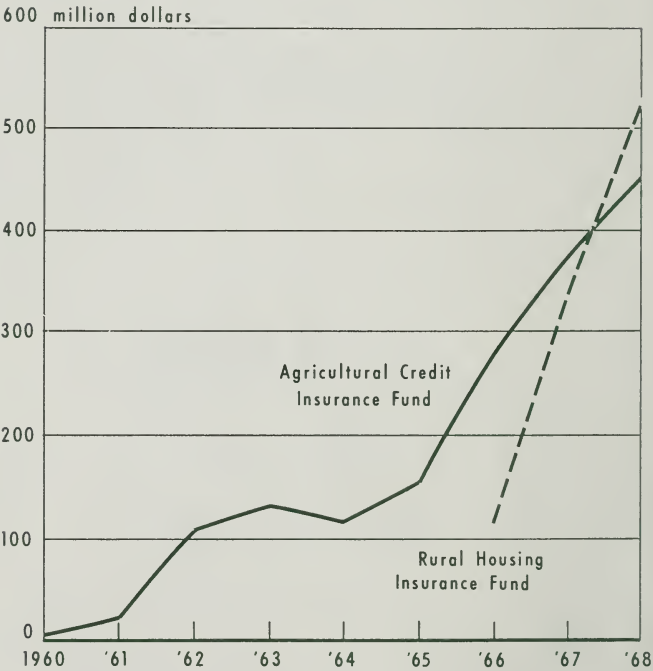
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*The Investor's Opportunity
In Farmers Home Insured Notes*



*U.S. Government-guaranteed earnings
on private capital supplied for farm,
home and community improvement
loans in rural America . . .*



Farmers Home insured notes are sold from two revolving funds. Chart shows recent growth in participation by private investors.

A SECURE AND REWARDING INVESTMENT

*in financial services to
rural America . . .*

Capital supplied by private investors is channeled into nationwide lending programs by the Farmers Home Administration, a rural finance agency of the U.S. Department of Agriculture.

Investments in these programs typically attract the participation of endowment fund systems . . . commercial banks, investing their own funds in Farmers Home insured notes or acquiring them for trust portfolios . . . savings and loan associations . . . employee credit unions . . . State and county treasuries . . . life insurance companies . . . individual investors.

As investment opportunity, Farmers Home insured notes offer these advantages:

- U.S. Government guarantee of payment of both principal and interest earned.
- Attractive interest rates to investors.
- Maturities from 1 through 25 years to meeting diversified investor requirements.

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- Notes may be purchased singly (minimum new order \$15,000) or in blocks.
- Government-guaranteed earnings remitted annually to investor on January 31.
- Loans serviced by USDA-FHA.

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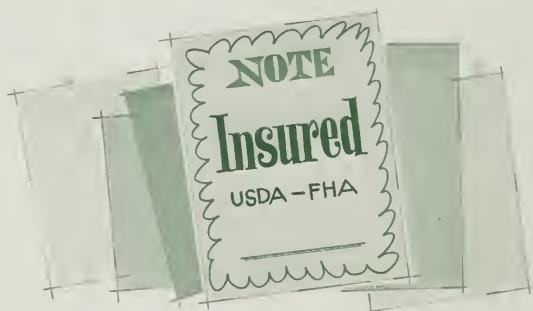
- Options to extend investments for additional years.
- Ownership of notes and insurance endorsements easily transferred.
- Notes promptly redeemed from investors who elect not to renew.

Features Explained

INSURANCE ENDORSEMENT CONVERTS FARMERS HOME LOAN NOTES INTO U.S.-GUARANTEED INVESTMENTS

Two acts of Congress (the Housing Act of 1949 and the Consolidated Farmers Home Administration Act of 1961) authorize the Farmers Home Administration to sell private investors its loan notes under a full U.S. Government guarantee both as to principal and interest earnings.

That guarantee is embodied in an "insurance endorsement" the agency attaches to each note purchased by a private investor. The guaranteed yield includes interest earned on the note, plus a premium interest paid the investor by the Government. The annual payment to the investor also includes an amortized portion of the principal.



Farmers Home insured notes thus acquire status as investment fully and unconditionally supported by the faith and credit of the U.S. Government.

INTEREST RATES TO INVESTORS

Earnings offered investors in Farmers Home insured notes are consistent with prevailing rates on the money market.

Interest offerings vary according to length of time for which the private investor commits his funds—higher rates for longer term commitment. The agency attempts to sell for longer terms. Most loans are written for from 33 to 40 years.

NO MAXIMUM LIMIT ON INVESTMENT

Blocks of notes may be purchased in any amount from the Farmers Home Administration's National Finance Office. The minimum initial investment is \$15,000.

DURATION OF INVESTOR'S COMMITMENT

Investments may range from 1 through 25 years. Most are for terms of 3, 5, 10, or 25 years.

OPTIONS TO EXTEND INVESTMENT

Investment agreements between the agency and investor include a "repurchase" option for the investor. His decision whether to renew his investment or sell a note back to the Government may be made at any time within 1 year after the fixed period for holding a note has expired.

Interest earnings continue at the contract rate while the investor holds a note during the 1-year option period.

Within the option period the investor has three choices:

- (a) Sell the note back to the Government at any time during the option period. The investor will be paid the full amount of unpaid principal balance, plus accrued interest.
- (b) Extend his holding with a new insurance endorsement for another fixed period, on terms offered by the agency at the time of reinvestment.
- (c) Agree to hold the note, at a lesser rate, until the note is paid in full, refinanced, or otherwise liquidated. Under this type of agreement, the Government makes no repurchase commitment but the note is still insured.

INDIVIDUAL NOTE REPLACEMENT OPTION FOR LONG-TERM INVESTOR

For every investment for a term of 10 years or more, the agency attaches to the insur-

ance endorsement a rider giving the investor an additional option: He may have a called or fully paid note replaced with another note at the same contract rate he received on the old note. This helps the long-term investor maintain his anticipated cash flow.

BORROWER SERVICED, INVESTOR PAID BY GOVERNMENT

All dealings with borrowers, including loan making, loan servicing and collecting, are handled by the Farmers Home Administration. No charge for these services is assessed the private investor.

The investor, whose payment is fully guaranteed by the U.S. Government, receives payment directly from the Government by U.S. Treasury check. Annual installments of amortized portion of principal plus interest earned are remitted to investors on January 31, regardless of whether the Farmers Home Administration collects on schedule from borrowers. This annual schedule of payment is varied only when a note is paid off in full. Final payment whenever made is remitted promptly.

STATUS OF INSURED LOAN NOTES

Acceptable as security for deposits of public moneys under provisions of Treasury Department Circular No. 176.

Acceptable as collateral for Treasury tax and loan accounts under provisions of Treasury Department Circular No. 92.

Eligible as collateral for advances under provisions of paragraph 8, section 13, Federal Reserve Act by determination of Federal Reserve Board.

Bank investments not classified as real estate loans under section 24 of the Federal Reserve Act—by determination of Comptroller of the Currency.

Exempted from limitation on capital and surplus of national banks under Exception 10 of 12 U.S.C. 84.

Insurance investors may list at investment value—by ruling of National Association of Insurance Commissioners Committee on Valuation of Securities, which lists them as "bonds of the United States of America."

THE USDA-FHA PROGRAMS

In its credit services to family farmers, other rural residents and rural communities and associations, the Farmers Home Administration provides financial assistance only to applicants who cannot obtain financing from other sources at reasonable rates and terms.



The Consolidated Farmers Home Administration Act of 1961, as amended, authorizes the agency to insure loans that are made for—

- Purchase, improvement, or refinancing of family operated farms.
- Rural community water supply and waste disposal systems, outdoor recreation centers, and livestock grazing ranges.

The Housing Act of 1949, as amended, authorizes the agency to insure loans that are made for—

- Family owned farm and nonfarm homes in rural areas.
- Rental housing in rural areas.

Farmers Home Administration loans are made and serviced through more than 1,600 county offices throughout the rural United States, Puerto Rico, and the Virgin Islands. Administration of the agency is directed from the Administrator's Office, U.S. Department of Agriculture, Washington, D.C., and through the offices of State directors. Financial operations are centered in a National Finance Office in St. Louis, Mo.

PROCEDURE FOR MAKING AN INVESTMENT . . .

1. For current information about rates and terms of Farmers Home Administration insured loan offerings, write or telephone:

Insured Loan Officer
National Finance Office
Farmers Home Administration
1520 Market Street
St. Louis, Mo. 63103
Telephone (314) 622-4406

2. Determine the amount you want to invest and the length of time you prefer to commit your investment.
3. When you have decided on the amount and term of your investment, mail or telephone your order to the National Finance Office and advise them of the manner in which you want the note endorsed.
4. The Finance Office will advise the manner of settlement.
5. When your funds are received, the Finance Office will mail you the note or notes and insurance endorsement.

PROCEDURE FOR SERVICING INVESTMENT

1. Notes and insurance endorsements will be held by investor during the period of his investment.
2. Notes and insurance endorsements will be returned to the Farmers Home Administration when (a) investor elects to redeem the notes, (b) a loan is paid in full, or (c) the agency recalls a note for servicing.
3. To transfer notes, investors endorse them to other investors and notify National Finance Office of the transfer.

The investor has no loan servicing obligation to the borrower.

This publication supersedes PA-556 "Farmers Home Administration Insured Loans—Information for Lenders."

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